

**COUNTY OF NAPA**  
**MANAGEMENT REPORT**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2008**

**PAMELA A. KINDIG**  
**AUDITOR-CONTROLLER**

Mgt. Ltr.  
1/20/09

# COUNTY OF NAPA

## Management Report For the Year Ended June 30, 2008

### Table of Contents

	<u>Page</u>
Introduction .....	1-2
Required Communication .....	3-5
Commendations .....	6
 <u>Status of Prior Year Recommendations</u>	
County Executive Officer/Auditor-Controller .....	7
Auditor-Controller .....	7



BARTIG, BASLER & RAY, LLP

A GALLINA LLP COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Members of the  
Board of Supervisors of the County of Napa  
Napa, California

In planning and performing our audit of the basic financial statements of the County of Napa as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the County of Napa's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit we became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters. We previously reported on the County's internal control in our report dated December 22, 2008. This letter does not affect our report dated December 22, 2008 on the financial statements of the County of Napa.

To the Honorable Members of the  
Board of Supervisors of the County of Napa  
Napa, California

This report is intended for the use of management, the Board of Supervisors, the Grand Jury and officials of the federal and state grantor agencies.

We thank the County's staff for its cooperation during our audit.

BARTIG, BASLER & RAY, LLP  
A Gallina LLP Company

*Bartig, Basler & Ray, LLP*

Roseville, California  
December 22, 2008

## **COUNTY OF NAPA**

### **Management Report Required Communication For the Year Ended June 30, 2008**

#### **The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated June 5, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

#### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## **COUNTY OF NAPA**

### **Management Report Required Communication For the Year Ended June 30, 2008**

#### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Accrual and disclosure of compensated absences
- Capital asset lives and depreciation expense
- Allowance for uncollectible accounts
- Actuarial valuations of risk management liability
- Liability for solid waste landfill closure and postclosure costs
- OPEB liability

#### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County, either individually or in the aggregate, indicate matters that could have a significant effect on the County's financial reporting process.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Consultations with Other Independent Auditors**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **COUNTY OF NAPA**

### **Management Report Required Communication For the Year Ended June 30, 2008**

#### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

## **COUNTY OF NAPA**

Management Report  
For the Year Ended June 30, 2008

### **AUDITOR-CONTROLLER**

#### **COMMENDATIONS**

We would like to compliment the Auditor-Controller's Office for its leadership in producing the 2008 financial report. This year, the County accepted the challenge of preparing its own comprehensive annual financial report (CAFR), and we commend its efforts. The process is labor-intensive and requires a collaborative effort from everyone involved. We found the County's staff to be dedicated to producing an accurate and quality product.

The County participates in the Government Finance Officers Association (GFOA) Certificate of Achievement Program which involves submitting its CAFR to the GFOA to be judged by a special review committee and the GFOA's professional staff. The County expects to achieve its fourth consecutive Certificate of Achievement for Excellence in Financial Reporting award. According to the GFOA, obtaining the Certificate of Achievement is a significant accomplishment that reflects well on a government's financial management.

## COUNTY OF NAPA

Status of Prior Year Recommendations  
As of June 30, 2008

Recommendation	Status/Comment
<b>COUNTY EXECUTIVE OFFICER/AUDITOR-CONTROLLER</b>	
<u>Accounting for Governmental Trust Funds</u>	
We recommend that the Auditor-Controller's office consider utilizing its accounting system to account for the activity of governmental trust funds rather than the labor-intensive process of relaying data into spreadsheets and to budget for trust fund activity. To implement this process, the Auditor-Controller's Office will need to close out the governmental trust funds from the trust funds where they are currently being reported and either combine the balances with an existing governmental fund or create new funds utilizing the existing governmental fund structure.	Implemented
<b>AUDITOR-CONTROLLER</b>	
<u>Deferred Revenue – Unavailable Revenue</u>	
We recommend the County revise its closing procedures to request that departments estimate the portion of their receivables that may not be available to finance expenditures of the current fiscal period.	Implemented